

LAUDERDALE COUNTY LIBRARY FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

**LAUDERDALE COUNTY LIBRARY FUND
BOARD OF TRUSTEES
FOR THE YEAR ENDED JUNE 30, 2010**

William A. Klutts—Chairman
Bette Anthony
Bettie Davis
Frances Fitzhugh
Carolyn Pilcher
Susan Scott
Bill Williams

ASSOCIATE TRUSTEES

Harold Evans
Carrie Fullen
Eddie Evans

MARTHA CRITES

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lauderdale County Executive
Lauderdale County Library Fund
Ripley, Tennessee

I have audited the accompanying financial statements of the governmental activities and the major fund of the Lauderdale County Library Fund, of Lauderdale County, Tennessee, a separately reported special revenue fund of Lauderdale County, as of and for the year ended June 30, 2010 which collectively comprise the Library's basic financial statements and the respective budgetary comparison for the Library Fund. These financial statements are the responsibility of the Board of Trustees of the Lauderdale County Library Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the financial position of Lauderdale County Library Fund and do not purport to, and do not, present fairly the financial position and results of operations of Lauderdale County, Tennessee as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lauderdale County Library Fund, a separately reported special revenue fund of Lauderdale County, Tennessee, as of June 30, 2010, and the respective change in financial position and the respective budgetary comparison thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 4, 2010, on my consideration of Lauderdale County Library Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis included within these financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Martha Crites, CPA

Halls, Tennessee
August 4, 2010

LAUDERDALE COUNTY LIBRARY

120 Lafayette St.
Ripley, TN 38063-1321

Phone: 731-635-1872
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lauderdale County Library Fund's financial accomplishments provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Fund's Independent Auditor's Report, financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

- The assets of the Lauderdale County Library Fund exceeded its liabilities at June 30, 2010 by \$1,147,969. Of this amount, \$146,821 is unrestricted and may be used to meet the Fund's ongoing obligations to citizens and creditors.
- The Fund's total net assets increased by \$31,651 (2.8 percent) during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Lauderdale County Library Fund's financial statements which are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The *Government-wide financial statements* are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and the change in net assets. Governmental activities are primarily supported by special assessments billed as non-ad valorem assessments on property tax bills.

The **statement of net assets** presents information on all of the Fund's assets and liabilities, with the difference between the two reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Lauderdale County Library Fund is improving or deteriorating.

The **statement of activities** presents the information on all revenues and expenses of the Fund and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the Fund.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the one fund of the Library. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balance** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balance-(budget and actual)**, is provided for the Fund. *Fund financial statements* provide more detail information about the Fund's activities.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the Fund. The government-wide financial statements provide an overall picture of the Fund's financial standing. These financial statements are comparable to private-sector companies and give a good understanding of the Fund's overall financial health and how the Fund paid for the various functions provided. All assets of the Fund, including buildings, books, office furniture and equipment are reported in the **statement of net assets**. All liabilities, including future employee benefits obligated but not paid by the Fund, are included. The **statement of activities** include depreciation on all long lived assets of the Fund. In the case of governmental activities, outlays for long lived assets are reported as expenditures. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the Fund. Additional information about the accounting practices of the Fund and investments of the Fund are some of the items included in the *notes to the financial statements*.

FINANCIAL ANALYSIS OF THE FUND

The following comparative schedule provides a summary of the assets, liabilities and net assets of the Fund.

Net Assets		
	2010	2009
Current assets	\$ 754,604	\$ 731,744
Fixed assets	403,334	392,332
Total assets	<u>\$1,157,938</u>	<u>\$1,124,076</u>
Total liabilities (current)	\$ 9,969	\$ 7,758
Net assets		
Invested in fixed assets	403,334	392,332
Restricted	597,814	588,323
Unrestricted	146,821	135,663
Total liabilities and net assets	<u>\$1,157,938</u>	<u>\$1,124,076</u>

Changes in Net Assets		
	2010	2009
Program revenues		
Charges for services	\$ 3,302	\$ 3,640
Operating grants and contributions	51,681	23,034
General revenues		
Payments from Lauderdale County	98,555	98,855
Investment earnings	10,603	10,971
Total Revenues	<u>\$ 164,141</u>	<u>\$ 136,500</u>
Program expenses	132,490	154,336
Increase (decrease) in net assets	<u>\$ 31,651</u>	<u>\$ (17,836)</u>
Net assets at beginning of period	<u>1,116,318</u>	<u>1,134,154</u>
Net assets at end of period	<u>\$1,147,969</u>	<u>\$1,116,318</u>

BUDGETARY HIGHLIGHTS

The difference between the original budget and the final operations was \$20,649. Expenses were less than anticipated by \$22. Receipts were greater than anticipated by \$20,627. The operating budget was not amended during the fiscal year. The budgetary differences not expected to have a significant effect on future liquidity.

CAPTIAL ASSETS

At June 30, 2010, the Library Fund had invested \$403,334 in capital assets. In the year ended June 30, 2010, capital investments increased by \$11,002.

FUTURE PROJECTIONS

The primary goals of the Lauderdale County Library Fund are to continue providing quality library services to the public and to double the available library space. The existing library building was designed with future expansion in mind. Construction has begun on the Library construction prior to the year end. No debt is to be issued for this expansion. Due to a recent change in accounting standards, the Library's budget and operations will be incorporated as a department of the County's general fund as of July 1, 2010.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Lauderdale County Library Fund's finances for those with an interest in the Library Fund's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Directors of the Lauderdale County Library Fund at 120 Lafayette Street, Ripley, Tennessee 38063.

William A. Klutts

William A. Klutts
Chairman
Lauderdale County Library
Board of Trustees

**LAUDERDALE COUNTY LIBRARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2010**

**Governmental
Activities**

ASSETS

Current Assets

Cash

\$ 754,604

Total Current Assets

\$ 754,604

Fixed Assets

Land

\$ 7,800

Construction in progress

28,640

Building

452,978

Books

84,651

Furniture, fixtures and equipment

98,061

Total

\$ 672,130

Less accumulated depreciation

268,796

Total Fixed Assets

403,334

Total Assets

\$ 1,157,938

LIABILITIES

Current Liabilities

Accrued compensation

\$ 9,969

Total Liabilities

\$ 9,969

NET ASSETS

Invested in fixed assets

\$ 403,334

Unrestricted

146,821

Restricted

Rice Fund

25,000

Morris Fund

13,050

Palmer Fund

322,648

Fitzhugh Fund

118,276

Drake Fund

118,840

Total Net Assets

1,147,969

Total Liabilities and Net Assets

\$ 1,157,938

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Government activities					
Cultural and recreation	<u>\$ 132,490</u>	<u>\$ 3,302</u>	<u>\$ 51,681</u>	<u>\$ -</u>	<u>\$ (77,507)</u>
		General revenues			
		Payments from Lauderdale County			\$ 98,555
		Investment earnings			<u>10,603</u>
		Total General Revenues			<u>\$ 109,158</u>
		Change in Net Assets			\$ 31,651
		Net Assets, Beginning			<u>1,116,318</u>
		Net Assets, Ending			<u>\$ 1,147,969</u>

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

ASSETS

Cash	\$ 754,604
Total Assets	<u>\$ 754,604</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accrued payroll benefits	<u>\$ 9,969</u>
Total Liabilities	\$ 9,969

FUND BALANCE

Reserve for Rice Fund	\$ 25,000
Reserve for Morris Fund	13,050
Reserve for Palmer Fund	322,648
Reserve for Drake Fund	118,840
Reserve for Fitzhugh Fund	118,276
Unreserved	<u>146,821</u>
Total Fund Balance	<u>744,635</u>
Total Liabilities and Fund Balance	<u>\$ 754,604</u>

Total Fund Balance	\$ 744,635
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>403,334</u>
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Net Assets of Governmental Activities	<u>\$ 1,147,969</u>
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See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES

Grants--City of Ripley	\$ 25,000
Contributions	24,181
Grants	2,500
Investment income	10,603
Miscellaneous	<u>3,302</u>
Total Revenues	\$ 65,586

EXPENDITURES

Salaries	\$ 53,660
Accounting	2,235
Books	17,659
Office equipment	8,891
Construction in progress	8,449
Employee benefits	13,102
Insurance	4,714
Maintenance and repairs	10,469
Payroll taxes	3,935
Supplies	7,817
Telephone	2,752
Utilities	<u>9,809</u>
Total Expenditures	\$ 143,492

Excess of Revenues over Expenditures (77,906)

OTHER FINANCING SOURCES (USES)

Operating transfers from other funds	<u>\$ 98,555</u>
Net Change in Fund Balance	\$ 20,649
Fund balance--June 30, 2009	<u>723,986</u>
Fund balance--June 30, 2010	<u>\$ 744,635</u>

Amounts reported for governmental activities in the statement

of net assets are different because:

Net Change in Fund Balance \$ 20,649

Governmental funds report capital outlays as expenditures. However in the statement of net assets, the cost of these assets is capitalized and they are depreciated over their useful lives and reported estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlays reported as expenditure in the fund financial statement	34,997
Depreciation is reported in the government-wide financial statements	<u>(23,995)</u>

Change in net assets of governmental activities \$ 31,651

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
RECEIPTS			
Operating transfers-Lauderdale County	\$ 98,855	\$ 98,555	\$ (300)
Grants--City of Ripley	20,000	25,000	5,000
Contributions and Investment Income	23,658	34,784	11,126
Other	<u>1,001</u>	<u>5,802</u>	<u>4,801</u>
Total	\$ 143,514	\$ 164,141	20,627
EXPENDITURES			
Salaries	\$ 77,782	\$ 53,660	\$ 24,122
Accounting	2,250	2,235	15
Insurance	7,193	4,714	2,479
Books	3,500	17,659	(14,159)
Office equipment	-	8,891	(8,891)
Construction in progress	-	8,449	(8,449)
Maintenance and repairs	14,000	10,469	3,531
Employee insurance	12,589	13,102	(513)
Payroll taxes	5,950	3,935	2,015
Supplies	3,600	7,817	(4,217)
Telephone	4,650	2,752	1,898
Utilities	<u>12,000</u>	<u>9,809</u>	<u>2,191</u>
Total	<u>143,514</u>	<u>143,492</u>	<u>22</u>
Excess of Receipts over Expenditures	\$ -	\$ 20,649	\$ 20,649
Fund Equity--July 1, 2009	<u>723,986</u>	<u>723,986</u>	<u>-</u>
Fund Equity--June 30, 2010	<u>\$ 723,986</u>	<u>\$ 744,635</u>	<u>\$ 20,649</u>

See accountant's report and accompanying notes to financial statements.

**LAUDERDALE COUNTY LIBRARY FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lauderdale County Library Fund accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units.

1. **Fund Type.** The Library is a special revenue fund of Lauderdale County, Tennessee, which is issued to record the general operations of the Library.
2. **Reporting Entity.** These financial statements are limited to the assets, liabilities, fund balance, and results of operations of the Lauderdale County Library Fund. They are not intended to present the assets, liabilities, fund balances and results of operations of Lauderdale County taken as a whole. The County Commission of Lauderdale County appoints the board of trustees of the Lauderdale County Library Fund. The criteria of control or dependence is used to determine which activities are included in the Library Fund's financial statements.
3. **Government-wide and fund financial statements.** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Library Fund. Government activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

4. **Measurement focus, basis of accounting, and financial statement presentation.** The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of

**LAUDERDALE COUNTY LIBRARY FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the current fiscal period. All other revenue items are considered measurable and available only when the Library Fund receives cash.

The Library reports the following major governmental fund:

The general fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

5. **Capital Assets.** Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets that have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Building	40 years
Books	7 years
Furniture and fixtures	5-10 years

6. **Compensated absences.** Full time employees have the option of accruing sick leave and vacation pay for use in future periods.
7. **Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
8. **Budgetary Information.** An annual budget is adopted by the board of trustees on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Expenditures were less than appropriations.

NOTE 2. CASH AND INVESTMENTS

Cash, which is stated at cost, consist of the following:

Cash on hand	\$ 790
Cash in bank	<u>753,814</u>
Total Cash	<u>\$754,604</u>

**LAUDERDALE COUNTY LIBRARY FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 2. CASH AND INVESTMENTS (continued)

All monies are deposited in banks fully insured by the Federal Deposit Insurance Corporation (FDIC) and are in the name of Lauderdale County Library Fund. Amounts in excess of FDIC are covered by the Tennessee Collateral Pool.

Surplus funds may be invested in securities. State statutes authorize the Library Fund to invest in obligations of the U.S. Treasury, repurchase agreements, and the State Treasurer's Investment Pool.

Custodial Credit Risk of Investment. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Library Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

Credit risk. In compliance with State law, the Fund's investment policy limits investments in commercial paper to the top two rating issued by nationally recognized statistical rating organizations.

At year end, all investments had been sold.

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2010.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated--				
Land	\$ 7,800	\$ 0	\$ 0	\$ 7,800
Construction in progress	<u>20,191</u>	<u>8,449</u>	<u>0</u>	<u>28,640</u>
Capital assets not being depreciated, net	27,991	8,449	0	36,440
Capital assets being depreciated--				
Building	452,978	0	0	452,978
Books	66,992	17,659	0	84,651
Furniture and fixtures	<u>89,170</u>	<u>8,891</u>	<u>0</u>	<u>98,061</u>
Subtotal	\$ 609,140	\$ 26,550	\$ 0	\$ 635,690

**LAUDERDALE COUNTY LIBRARY FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 3. CAPITAL ASSETS (continued)

Less accumulated depreciation				
Building	113,243	11,324	0	124,567
Books	52,092	6,918	0	59,010
Furniture and fixtures	<u>79,464</u>	<u>5,755</u>	<u>0</u>	<u>85,219</u>
Subtotal	<u>244,799</u>	<u>23,997</u>	<u>0</u>	<u>268,796</u>
Capital assets being depreciated, net	<u>364,341</u>	<u>2,553</u>	<u>0</u>	<u>366,894</u>
Capital assets, net	<u>\$ 392,332</u>	<u>\$ 11,002</u>	<u>\$ 0</u>	<u>\$ 403,334</u>

Depreciation expense of \$23,997 was charged to the cultural and recreation governmental activity.

NOTE 4. RESERVED FUNDS

- A. Rice Fund. Principal bequest from the will of Lucie L. Rice for \$25,000. Principal is restricted perpetually. Use of income is restricted to no more than half of the income in any one year for operating expense.
- B. Morris Fund. Restricted for the purchase of children's books and historical fiction. The fund maintains a current balance of \$13,050.
- C. Palmer Fund. The library received ten thousand dollars in the year ended June 30, 2000 from Mrs. Jack Palmer. In 2005, Dorothy Palmer bequeathed an additional \$270,000 to this fund. These monies are restricted for capital purchases. The current balance is \$322,648.
- D. Drake Fund. Monies received from the Drake Estate. The monies are restricted for the purchase of English and American literature. The balance in the fund at June 30, 2010 is \$118,840.
- E. Fitzhugh Fund. In 2007, Mr. and Mrs. Jim Fitzhugh gave \$100,000 for the purpose of library expansion. The balance at June 30, 2010 is \$118,276.

Funds are not segregated. However expenditures from these funds are designated within the accounting records.

NOTE 5. REVENUES

The library is funded by private contributions, operating transfers from Lauderdale County and grants from the City of Ripley General Funds.

NOTE 6. LEASE

The Board of Trustees has leased the old Sugar Hill Library Building to the Lauderdale County Chamber of Commerce for a period of ninety-nine years. For all subsequent years, the Library Fund receives \$1 per year. The Chamber of Commerce is to maintain insurance on the building with the Library Fund as the loss payee. The Chamber shall be responsible for all maintenance and upkeep on the building during the lease term.

NOTE 7. RISK MANAGEMENT

The Lauderdale County Library Fund is exposed to various risks or losses related to theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Fund purchases commercial insurance to cover all of its insurance needs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

MARTHA CRITES

Certified Public Accountant

115 South Front • Halls, TN 38040
(731) 836-5987

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
County Mayor of Lauderdale County
Lauderdale County Library Fund
Ripley, Tennessee

I have audited the financial statements of the governmental activities and the major fund of Lauderdale County Library Fund, a separately reported special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2010 and have issued my report dated August 4, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lauderdale County Library Fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lauderdale County Library Fund's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of finding (Finding 2010-01, Finding 2010-02, Finding 2010-03, Finding 2010-04 and Finding 2010-05) to be significant deficiencies in the internal control over financial reporting. I consider all of the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Library Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. Finding 2010-05 is an instance of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the Lauderdale County Library Fund's management, the Lauderdale County Commissioners, and the Tennessee State Comptroller's Office and other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

Martha Crites, CPA

August 4, 2010

**LAUDERDALE COUNTY LIBRARY FUND
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

STATUS OF PRIOR FINDINGS

- 2009-01 Finding -- Expenditures exceed the approved budgeted expenditures. Total expenditures exceeded budgeted amount. See finding 2010-01.
- 2009-02 Finding -- The Library Fund has insufficient personnel to enable separation of duties within the accounting process. The Librarian maintains the general operating fund while the Chairman of the Board of Trustees maintains the investment accounts and the other checking account. See finding 2010-02.
- 2009-03 Finding -- Annual audit adjustments are necessary each year to properly reflect the income and expense of the entity. See finding 2010-03
- 2009-04 Finding -- The Library Fund maintains monthly records so that reasonable operations can be maintained. The Library Fund does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Library Fund has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system. See finding 2010-04.

CURRENT FINDINGS

- 2010-01 Finding -- Expenditures exceed the approved budgeted expenditures.

Recommendation -- I recommend that the Library personnel review the budget near the end of the fiscal year and submit any necessary amendments to the County Commission for its approval.

Response -- We will consider your suggestion.

- 2010-02 Finding -- The Library Fund has insufficient personnel to enable separation of duties within the accounting process. The Librarian maintains the general operating fund while the Chairman of the Board of Trustees maintains the investment accounts and the other checking account.

Recommendation -- Additional personnel should be hired or other members of the board of Trustees should be incorporated within the accounting process to allow for greater separation of duties within the accounting process.

Response -- The Library Fund's budget and operations will be incorporated as a department in the county's general fund beginning the fiscal year 2010-2011.

- 2010-03 Finding -- Annual audit adjustments are necessary each year to properly reflect the income and expense of the entity.

Recommendation -- Additional accounting guidance should be obtained to eliminate the need for annual audit adjustments.

Response -- This recommendation shall be taken under advisement.

2010-04 Finding – The Library Fund maintains monthly records so that reasonable operations can be maintained. The Library Fund does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Library Fund has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system.

Recommendation – The Library Fund should employ or utilize the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and related notes.

Response – The employment or utilization of the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and related notes are economically feasible at this time.

2010-05 Finding – By law, the Library Fund is not authorized to spend any funds that are not budgeted by the County Commission. The Fund should submit a detailed line item budget to the County Commission for approval, which should be included in the County's budget document, as required by Section 5-9-401, Tennessee Code Annotated.

Recommendation –The Library Fund should follow the provisions of 5-9-401 and submit a detailed line item budget to the County Commission for approval.

Response –As the Library Fund does not meet the new GASB definition of a special revenue fund, the Library Fund's budget and operations will be incorporated as a department in the County's General Fund beginning the fiscal year 2010-2011.